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Winski: Fighting NBC all the way to High Court—P. 44

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Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Nissan ads get real

New 'human race' drive tries to correct mistakes

By CLEVELAND HORTON

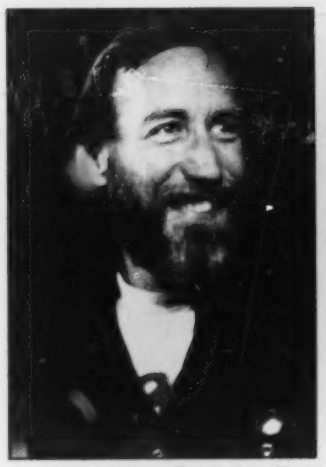
Nissan Motor Corp. USA, finally conceding its "yuppie engineers" TV spot failed to hit the mark, today breaks its model '89 drive with advertising that relies on real people.

Borrowing a technique from former client Apple Computer, agency Chiat/Day will advertise the new executions of its "Built for the human race" theme in a page ad in *USA Today*.

The ad alerts readers to the start of a "personal trek" series of TV commercials for Nissan's Pathfinder sport utility vehicle beginning on ABC-TV's "Monday Night Football."

Introductory spots for Nissan's new 240 SX, a sporty car on which the company is pinning its hopes of restoring its image among enthusiasts, also break on tonight's game.

"If we made a mistake, it was not using the real engineers," said Lee Clow, agency president and executive creative director, about the earlier commercials, which represented C/D's first effort on Nissan's estimated $150 million-plus account.



Chiat/Day's Lee Clow dumps the "yuppie engineers" in Nissan's corporate campaign.

The spots, which aired from October 1987 to February 1988, featured several actors portraying engineers. They were controversial because the "yuppie-like" conversations in the spots seemed too staged to many observers, and the portrayals were considered offensive to some.

At the time, C/D officials defended the spots by saying the conversations were all based on real, taped conversations with actual Nissan engineers.

While not admitting the "engineers" are dead forever, the agency has several "real people" campaigns in the works for 1989-model advertising.

Tonight's new drive documents a young couple's trek in the Pathfinder truck from their home in Chicago to Rio de Janeiro.

The journey, featuring Kurt and Marty Anderson, was recorded on 16mm film, which will be cut into six commericals, each airing for a week.

The *USA Today* ad shows a color map of North and South America with the Anderson's path marked. The headline reads: "Tonight on Monday Night Football, Nissan goes out for a long one."

The ad is reminiscent of C/D's effort to boost viewership of Apple's ill-fated "Lemmings" spot, which ran only once at the end of the Super Bowl in 1985.

The "event marketing" term associated with that refers to carefully coordinated and orchestrated marketing pushes, not sponsorship of a sporting event.

For its Sentra advertising, C/D

(Continued on Page 69)

Last Minute News

General Mills rolls out three cereals

MINNEAPOLIS—General Mills is introducing three cold cereals this fall: Apple Cinnamon Cheerios, Fruity Yummy Mummy and Total Raisin Bran. All three will receive TV and print campaigns from Saatchi & Saatchi DFS Compton, New York. Total Raisin Bran has a $28.7 million introductory ad budget. Also, General Mills this week breaks TV spots touting the oat bran content of regular Cheerios. In a related development, General Foods is rolling national with Post Oat Flakes, an adult cereal touted on the package as "a good source of fiber." Grey Advertising, New York, handles.

'Time' will cut rate base 6.5%

NEW YORK—*Time* will forgo an ad rate hike and lower its guaranteed rate base 6.5% to 4.3 million as of Jan. 1 to discard what Publisher Bob Miller called "marginal circulation." "The total lower rate base will strengthen the composition of our audience," Mr. Miller said. Also, direct mail and TV toll-free call campaigns in certain U.S. markets face elimination. Ad rates are $120,130 for a one-time color page and $77,010 for a b&w page.

DDB, O&M share Cadbury confections

HERSHEY, PA.—Hershey split evenly an estimated $25 million to $30 million in Cadbury candy spending between DDB Needham Worldwide and Ogilvy & Mather, its New York-based agencies. DDB gets York peppermint patties, Caramello and all Cadbury-brand candy bars; O&M gets Peter Paul Mounds and Almond Joy bars plus Cadbury's creme-filled eggs. Wells, Rich, Greene, New York, the previous agency, will continue to work on Cadbury-Schweppes' Canada Dry soft

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Time eyes European monthly—P. 3
O'Toole debates debaters—P. 44
Will Dukakis get negative?—P. 69

Attorney pulls TV nets into beer promotion trial

By SCOTT HUME

ST. LOUIS—Defense attorneys in the kickback trial of two former Anheuser-Busch executives claimed last week that TV networks routinely gave gifts to the giant brewer.

James Shellow, principal attorney for defendant Joseph Martino, claimed the A-B Business Ethics Manual, which cautions employees against conflicts of interest, "is full of pious statements. [But] it is honored in the breach, not in the observance. Everybody at A-B was getting gifts."

Mr. Shellow said company executives were given so many TVs, VCRs and the like from TV networks and others that "it looked like a warehouse [at A-B], there were so many gifts sometimes."

Mr. Shellow provided no substantiation for that allegation, which sources at the Big 3 TV networks immediately dismissed as baseless. The defense could begin calling its witnesses this week.

Mr. Martino and former VP-Wholesale Operations Michael Orloff are alleged to have conspired with Mark Shyres, former president of the Bingham Group promotion company.

The government claims the two former A-B executives received merchandise and cash that Bingham recouped through inflated or phony invoices.

The executives deny any conspiracy to fraudulently receive money and say any gifts that may have changed hands were the result of friendship rather than any business relationship that may have existed.

> "I don't see where this becomes an industry issue rather than an Anheuser-Busch issue."

Following the opening remarks to the nine-woman, three-man jury by defense attorneys asserting their clients' innocence of the federal mail fraud and tax evasion charges, executives at the TV networks quickly dismissed the charges of rampant gift-giving as totally unfounded.

One TV executive who requested anonymity said the networks don't offer gifts, and most agencies and clients have strict guidelines against accepting anything if they did.

"It would give the appearance of conflict of interest," he added.

He said he knew of no instance in which a client or agency executive approached a network for a gift; the networks had stopped offering anything of value (i.e., hardware) as far back as the 1950s, he said.

The allegations of network gifts to A-B came as advertising, promotion and beer marketing executives took angry exception to an attorney's earlier statement that the defense strategy would include the claim that gift-giving is "commonplace" in relations between promotion agencies and clients (AA, Sept. 26).

"I don't see where this becomes an *industry* issue rather than an Anheuser-Busch issue," said Chris Sutherland, executive director of the Promotion Marketing Association of America. "It's simply not fair to extrapolate from this one case to indicting

(Continued on Page 69)

States may target auto industry next

By JENNIFER LAWRENCE

NEW ORLEANS—With fall auto introductions in full swing, state attorneys general are gearing up to make car ads their next regulatory target.

Although the states are just beginning joint efforts in this area, state officials meeting here last week sent out a warning.

"This seems like a perfect area for a multistate effort," said John Corwin, New York assistant attorney general and chief of that state's Consumer Frauds & Protection Bureau, before members of the National Association of Attorneys General Consumer Protection Committee.

Mr. Corwin said national guidelines for car manufacturers dealing with deceptive warranty, performance, price and safety claims should be considered.

He also suggested the committee not rule out national guidelines for auto dealers.

Committee members later met in executive session to formulate their direction on this issue, but officials declined to discuss what took place.

In a memo dated Aug. 24 from Illinois Attorney General Neil Hartigan, the consumer protection panel chairman, to New York Attorney General Robert Abrams, the NAAG president, "deceptive" automobile advertising was listed as one of two priorities for 1988-89. The other was health and disease-prevention claims in food ads.

The automakers would be the fourth major industry whose advertising has come under multistate scrutiny in the last 15 months, following airlines, car rentals and food.

Mary-Jane Raphael, Dan Jaffe and Wally Snyder at NAAG meeting.

At the NAAG conclave, ad industry association representatives tried to slow the states' efforts to use their collective power to control national advertising.

But a two-hour presentation on the merits of advertising self-regulation by five top executives seemed to fail to dampen their resolve.

"Where does all this stop?" asked DeWitt Helm, president of the Association of National Advertisers, after the meeting.

"What I'm hearing from the states is either all black or all white. There is no acknowledgment that there is good advertising out there. I'm hearing from them that all advertising is bad," he said.

Besides Mr. Helm, those addressing the officials from 32 states

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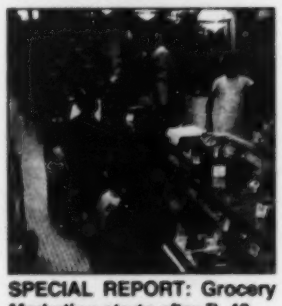

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P&G, Pillsbury just say no to big retail chain

By JUDANN DAGNOLI and LAURIE FREEMAN

Tensions between the grocery trade and package-goods marketers heightened last week when Procter & Gamble Co. and Pillsbury Co. refused to comply with a new policy on promotional allowances by the nation's fifth-largest supermarket chain.

Winn-Dixie Stores stunned marketers earlier this month with a letter to hundreds of its suppliers saying it will no longer accept promotional allowances on a market-by-market basis.

Instead, it expects all such allowances to be offered chainwide. Winn-Dixie owns 1,300 stores in 13 Southern and Western states.

The new policy has caused a furor among package-goods marketers, who see it as a powder keg that could set a precedent for other chains and sound the death knell for regional marketing.

The policy also has angered smaller grocery stores, particularly Mauldin, S.C.-based BI-LO Corp., which fired off its own letter to suppliers asking them not to knuckle under to Winn-Dixie's demands.

A spokesman for BI-LO, a chain with 154 stores in many of the same markets as its larger competitor, said the policy is unfair because it could give Winn-Dixie better prices.

It may also be illegal under the Robinson-Patman Act, according to the Federal Trade Commission. The antitrust act stipulates that if a marketer gives a price break to one customer, it must give the same discount price to all competing customers. The act also makes it illegal for a supermarket chain to get

(Continued on Page 68)

Olympics ratings worry advertisers

An Advertising Age roundup

NBC-TV's weak ratings for the telecast of the Summer Olympics have fueled an intense debate among advertisers over whether their buys were effective.

There is a growing concern among advertisers that the ratings may be masking more serious problems in the telecasts of major events like the Olympics. Some advertisers are worried that their huge Olympic campaigns may have been hurt by the negative publicity surrounding the Games' telecasts, especially questions about the merits of the production and concerns over commercial clutter.

Sources said there was internal dissent at General Motors Corp. over its big Olympics buy, due mainly to some of the bad publicity and the fact that ratings were running about 16.5% under expectations by the middle of the week.

"There are a lot of people questioning the veracity of the buy," said one source, who requested anonymity.

Still others said they were satisfied because NBC will give units in other programs to make up for the loss.

"Overall, we're satisfied," said Jay Qualman Jr., general director of advertising, Buick Division. "From an advertising sense, I've been pretty happy with the way they've run the commercials."

Even so, the company and other advertisers acknowledged they were looking for answers to the drop-off.

"One of the real issues here is whether there is something inherent going on in terms of viewing patterns that has created some of the diminished audience relative to expectations," said Phil Guarascio,

(Continued on Page 68)

1992 means restructuring

Clients, agencies adjusting

By KEVIN COTE

LONDON—Fully half of the respondents to an ADVERTISING AGE poll of advertiser and agency executives said their companies are engaged in restructuring because of the approach of 1992.

The Editorial Sounding Board poll of 64 high-ranking European marketing executives was conducted in conjunction with AA's European newsletter, *Euromarketing*. The European Community will drop its remaining trade barriers by 1992, which will create a market of 300 million consumers and an increase in pan-European marketing strategies.

Twenty-one advertiser and 43 agency executives responded.

Many consumer products marketers said the trend to aligning major brands with the same agency across Europe will continue.

In the survey, brand alignment was cited by 76% of agency panelists as the "most effective response to the emerging pan-European marketplace."

A smaller majority of advertiser panelists, 57%, felt the same way about brand consolidation, with another 38% of those questioned saying they believe different agencies can effectively handle the same brand in different national marketplaces.

Robert Wilson, marketing director of Hattori, said in a written response: "There will be more coordination from the clients. The one-agency approach may not always result." Hattori markets Seiko watches.

The Sounding Board confirmed that recent European changes by agencies and advertisers are a result of preparations for a single European market.

For instance, Ogilvy & Mather Worldwide last month restructured its European chain of command to better serve the increasing number of clients handled in multiple countries (AA, Sept. 19).

Colgate-Palmolive Co. recently reorganized its operations, citing 1992 as the reason. The marketer has formed a European management board that's led by its European president, Brian Bergin (AA, Sept. 26).

Earlier this summer, 3M Co. consolidated its European roster of about 50 ad agencies by appointing the offices of Backer Spielvogel Bates Worldwide, HDM and Grey Advertising here to handle separate units of related brands.

The poll results also showed that the majority of advertisers and agencies believe there will be increased use of "non-traditional agency services" in Europe when these services are offered by full-service ad agencies.

These services include event marketing, sales promotion, package design, direct marketing and public relations.

There's evidence that agencies are overestimating their ability to effectively provide fully intergrated communications programs.

Though 79% of agency panel members signified the increased use of these services as an area of flux in agency/client relationships, only 57% of advertiser panel members said they felt the same way.

Notably, none of the client-side panel members said agencies do a better job at providing specialized services than independent suppliers.

Some 37% of agency panelists said their companies or related subsidiaries could provide direct-mail campaigns of higher quality than independent agencies.

But 33% of the advertisers believe their agencies perform "poorly in direct mail and are not as effective as in-house or outside specialists."

While 25% of agency panelists think they can provide special event and sponsorship resources on a par with specialist suppliers, 76% of the clients judge agencies as relatively ineffective in that area.

A majority of the full panel predicted that ad spending in Europe will grow by 5% to 10% a year during the next two years.

Estimates of bullish growth by agencies tended to be more conservative than those of advertisers, however.

While only 11% of agency panelists expected growth of more than 10% annually, 19% of the clients said spending will exceed 10% per year.

Media inflation was most often cited as a key cause for increased ad spending.

New products also were cited by 57% of the marketers as contributing to European ad growth, and 39% of agency panelists expected substantial growth to come from new business.#

Norway's Government Information Service used rebounding Ted Bates A/S, Oslo, to develop this poster headlined "State your opinions on Star Wars."

Bates struggles in Norway

By DOUG MELLGREN

OSLO—Ted Bates A/S, Norway's No. 1 agency, is trying to heal its wounds after losing 8% of its billings—tough going during a downturn in the economy.

The shop is inching its way back from $6.6 million in business lost in December and January. Defectors included two airlines, Braathens SAFE and SAS, and a gasoline company, Norol.

Though the shop has regained $2.2 million in billings since spring, it's about to lay off 25 of its 205 employees.

In spring, the group froze hiring and shut down Ted Bates City, one of its 17 entities, and let 20 employees go.

"We thought those [earlier] reductions would be enough," said Erik Berg, Bates' managing director.

The agency, which had been in the black since 1966, expects to show parent Saatchi & Saatchi Co. a 1988 fiscal year bottom line of zero when results come out this month. This comes just one year after the agency hit record profits of $2.75 million on gross income of $28.3 million.

In the early 1980s, a loosening of traditionally tight credit and new wealth created by Norway's oil-based economy incited an unprecedented consumer spending binge. This created an average annual 10% to 15% growth rate for ad spending during the past decade, Mr. Berg said.

As the economy overheated, long-dominant Bates rose to new heights on the strength of its 98% domestic client list, billing $85.7 million last year. Now, all has changed, though the agency still is No. 1 in Norway.

"We had to change a company culture based on strong growth," Mr. Berg said. "We had to become crisis oriented."

Sources estimate 1987 ad spending in Norway at $1.5 billion. A 5% downturn is expected this year.

Recovery is coming but slowly. New business for Bates has sprouted from clients including the Norwegian Dairy Association's cream account, business newspaper *Dagens Naeringsliv*, and Nortra, the Norwegian tourism promotion agency. But Bates still needs $4.4 million more in new business to meet last year's billings total.

Despite the troubles, Mr. Berg isn't worried about the parent company. Saatchi "understands the market problems in Norway," he said.

In October 1987, Saatchi opened its own agency here, handling Saab Norway. Though its first-year gross income is expected to be only $735,000, Morton Stoevre Larssen, the Saatchi project manager, said that the sister agencies wouldn't merge.#

Thai TV grows nationally

By JOYCE RAINAT

BANGKOK—Thailand's five TV channels will be locking horns next year, competing for viewers and advertisers in a mad scramble for the No. 1 spot.

Though Thailand has only one true nationwide TV station—Channel 7, which reaches 98% of the country's 5.5 million TV households—that will change early next year when three of the four regional stations expand their coverage areas.

"Before, Channel 7 was king, and if you wanted prime time on a good program, you would have to block it in almost a year in advance," said Lintas:Worldwide Media Planning Director Sumala Mahasiri. "With competition surfacing, it's a month-by-month buy."

TV ad time attracts about $150 million to $180 million annually—from 50% to 60% of the country's total ad spending.

TV frequencies traditionally are government-owned but assigned to various government agencies: Channels 5 and 7 to the Royal Thai Army, Channels 3 and 9 to the Mass Communication Organization of Thailand and Channel 11 to the Public Relations Department.

Last year, Channel 3 got permission to extend its transmission area.

The network expansion, expected by March 1989, will allow Channel 3 to reach 86% of the population, said Andrea Cahn, the TV channel's assistant director-program department. Channel 9, also run by MCOT, will follow in Channel 3's footsteps, duplicating its competitor's expansion.

Each of the two channels now covers more than 47% of Thailand's TV households.

Channel 11, an educational channel, reaches 387,000 TV households. Benefiting from $1.25 million donated by the Japanese government, Channel 11 also has extended its coverage nationwide.

Channel 5, though not expanding its coverage area of 3.5 million homes, is beefing up its programming.

Broadcast buying had been simple under the old arrangement.

"If you wanted to reach the mass, lower end of the market you opted for Channel 7 and sometimes 5," said Prakit/FCB Media Director Paichit Thienthong. "And if your brand was geared to an upmarket audience, you looked at Channel 3 and, as an alternate, Channel 9."

But now that will change, though it will be at least a year before any thorough analyses on program ratings and audience coverage can be done, said Kenda Harris, director of the TV research unit for Deemar, a TV monitoring service.

Not only must homes outside the major cities reorient antennae to pick up the four channels, but Deemar is waiting for agencies and networks to sign contracts before installing a monitoring system.

The TV channels, too, have been reluctant to announce their new ad rates; each one is waiting for the other to announce its increase first.

How much upfront rate increase the advertisers will absorb is up for question, said Prakit/FCB's Mr. Thienthong. TV rates already are near saturation; an increase of 10% would be the maximum, he said.

Channel 7 now claims the highest prime-time 30-second rate, at $1,800, while Channel 9 has the lowest, at $860.

Each channel's ad time is limited to an average of 10 minutes an hour of broadcast time with a maximum of 12½ minutes in any one hour. The stations can broadcast seven hours on weekdays and up to 17 hours per day on weekends and holidays.#

World News Roundup

(Continued from Page 3)

TV. The spot shows an armed Catholic or Protestant terrorist and a pile of money, implying that the public will be rewarded for turning in suspected terrorists. The government refused to reveal the name of the ad agency.

DUESSELDORF—Quaker Latz pulled its $3.5 million Latz pet-food account from Imparc Werbeagentur. Imparc recently was bought by D'Arcy Masius Benton & Bowles, Hamburg, which handles Mars' Effem pet food. Latz may move to Eiler & Riemel/BBDO, sources say.

Addendum to who's on top in Europe

Publicis

1987 European gross income	$161,969
% change over '86	23%
1987 European billings	$1,070,375
% change over '86	20%

Figures are in thousands.
Source: ADVERTISING AGE

Publicis was inadvertently excluded from ADVERTISING AGE's "Who's on top in Europe" survey (AA, Sept. 12).

With 1987 European gross income of more than $161 million, the French network ranks No. 9. European gross income accounts for 99% of its worldwide gross income, while European billings make up 98% of its worldwide billings.

This year, Paris-based Publicis entered into a joint venture with Foote, Cone & Belding, Chicago (AA, May 23). If FCB and Publicis '87 figures had been combined for 1987, gross income would have totaled $247.84 million and billings would be $1.64 billion, putting the joint venture in the No. 2 slot.#

CATEGORY REVIEW: Baby food

A fuller platter to choose from

Active segment builds variety for youngsters while developing alternate fare for other age groups

By Dee Ann Maki

Baby food marketers are very aware of the fact that booms usually turn to busts. Despite an upturn in baby food and infant formula sales as a result of the baby boomlet, marketers are mapping out strategies to cope with the next birth decline, expected by 1991.

They are preparing for that day by emphasizing nutrition and single-serving convenience and extending product lines, adding additional flavors and container sizes. The moves are designed to influence consumption by starting children on strained food earlier and keeping them on longer. Baby food market leader Gerber Products Co. is even targeting adults for future products. Annual consumption per baby is expected to increase from 45.8 dozen jars in 1987 to 46.3 dozen jars this year.

Nomi Ghez, an industry analyst at Goldman, Sachs, says baby food sales reached $785 million in 1987.

"The hottest category today is the 'smaller version,' single-serving size products," adds Eric Larson, analyst at First Boston Corp. These smaller sizes, generally 2.8 ounces vs. more traditional 4.5-ounce jars, promote less waste for younger children. The single-serving sizes have "been one of the most active areas in the market. Dried foods have basically been a niche product."

Both Gerber and Heinz tested instant baby foods in the early and mid-1980s, he says. "Heinz currently is the only one in instant baby food," says Mr. Larson.

He adds that he expects the first foods category to stay strong for years.

Gerber is so dominant it dictates the baby-food category's direction, says Ms. Ghez.

"When you're the leader in the market, you're safe and you stimulate the market by finding ways to continue usage. Gerber has demonstrated this, and with that formula, it can't lose."

The three companies involved in the business don't agree on exact market share figures, although Gerber is the clear leader. Nestle Corp. subsidiary Beech-Nut Nutrition Corp. is No. 2, and H.J. Heinz Co. ranks third. Gerber claims it has a 71.2% of the market, Heinz has 13%, leaving 15.8% for Beech-Nut. But Beech-Nut claims it has 17% of the market, and Heinz claims it has 15.8% of the market.

Gerber's First Foods, a line of single-ingredient, single-serving products available in nine fruit and vegetable flavors, has grown into a $25 million category alone, since its inception in July 1987, says Bob Johnston, exec VP-general manager of Gerber Products division.

Gerber positioned its line of single-ingredient foods, designed to be babies' first solid food consumed, toward first-time parents by emphasizing compatability with mother's milk and infant formula. The manufacturer emphasizes its line as a natural transition between milk and solid foods, but suggests parents first get pediatricians' recommendations.

Gerber plans to counter the projected birthrate decline by targeting adults with its nutrition-based food product lines, hoping to snag a higher percentage of health-conscious consumers and reach the $1 billion mark by 1991.

Gerber introduced Fruit Classics, an apple sauce-and-other-fruit combination product, available in 4-ounce single servings, in selected markets last May. The product, still in test, directly competes with Mott's USA in the lunch bucket category.

Gerber is testing shelf-stable milk in the Quad Cities. On the shelves since last May, the milk does not compete with infant formula because it is being positioned as a post-formula whole milk alternative for babies, Gerber says. Sterile

(Continued on Page S-4)

Dee Ann Maki is a frequent contributor to ADVERTISING AGE.

DATA BANK

Leader shows no signs of strain

Baby food supermarket sales (1987, $000,000) and % change from previous year

Strained	$282.4	10.4%
Junior	149.6	4.4
Juices	102.9	3.2
Dry cereal	33.7	6.9
Biscuits, cookies, etc.	7.9	18.1
Other	11.0	4.3

Source: *Progressive Grocer*

CATEGORY REVIEW: Coffee

'Fast roast' turns into weighty issue

By Judann Dagnoli

■ *Marketers respond to P&G's 'downsizing' of coffee containers, usage declines*

A revolution in the coffee market has taken place on supermarket shelves, but most consumers have not even noticed.

The 1-pound coffee container is going the way of the Edsel. Adopting a less-is-more attitude, most major coffee marketers are replacing the 1-pound ground with a 13-ounce "fast roast" blend.

The movement started last spring when No. 2 coffee marketer Procter & Gamble Co. revamped its Folgers line, saying the new roasting process "fluffs" beans to the point where 13 ounces by weight equals 16 ounces by volume. Market leader General Foods and Nestle Foods followed with 13-ounce products. Regional roaster Chock Full o' Nuts reportedly is converting to a 13-ounce size.

An industry source says, "P&G has been successful in downsizing the entire coffee industry."

Many consumers have not noticed the change because it is not being advertised, for an obvious reason. "The consumer is not getting any bargains because the fast-roast coffees are weaker and of lower quality than regular brewed coffees," says an industry source. "It takes more scoops to make a cup of the same strength and taste of regular coffee."

The change cannot be detected on the shelves, either; the fast-roast coffees are still packaged in 1-pound cans.

What consumers notice, say grocery buyers, is fast-roast coffee prices. Both P&G and GF say they are pricing their fast roasts 20¢ below list price because they use fewer beans.

Coffee industry sources contend the real savings goes to the coffee marketer, not consumers. "There's greater yield and less shrinkage," says a coffee industry insider. "Since the [coffee marketer] buys less green beans, he makes a higher margin, which is passed along to the trade."

Higher margins are crucial in the $4.8 billion coffee industry, where prices have bounced erratically in the past few years. A 1986 Brazilian drought forced coffee prices to skyrocket to more than $5 per pound. When bean prices tumbled later, retail prices dropped to $2.95.

In 1987 when import quotas on coffee beans were not reinstated, prices fell to less than $2 per pound. When the quotas were re-established later last year, coffee prices rose, hovering at $2.87 per pound in July.

To complicate matters, the ground-coffee market continued to skid as consumers increasingly turned to soft drinks. According to SAMI/Burke figures, ground coffee sales plunged 18.7% to $2.6 billion for the 52 weeks ended June 17, 1988, from the previous 52 weeks.

The suspension of import quotas produced a margin squeeze among coffee manufacturers. General Foods especially suffered from an excess of high-priced inventory when prices plummeted. At a spring 1988 shareholders meeting, GF's then president-ceo Philip Smith called 1987 "a painful year in domestic coffee."

GF responded by slashing ad spending for its flagship Maxwell House brand, first by 25% or $17.5 million, and then even lower by year's end. Maxwell House's agency is Ogilvy & Mather, New York.

Archrival P&G took advantage of the cut, aggressively advertising Folgers via N W Ayer, New York. P&G spent $33 million in 1987, while GF spent $24 million on Maxwell House. GF's share, according to P&G sales materials, dipped to 34.6% from 35.9%; P&G's shot up to 31.4% from 28.2% (AA, April 4).

P&G's switch to fast roast forced other manufacturers to convert because they could not match Folgers' 13-ounce price. "If you look at trends [in the industry] sooner or later most competitors fall in line," says George Boecklin, president of the National Coffee Association.

Less than a month after P&G introduced fast roast, GF downsized its Maxwell House and Yuban lines to 13 ounces, says GF spokesman Peter Ackley. Unlike P&G, which does not call its fast-roast coffee high-yield, GF says its coffee is high-yield although it does not flag it as such or mention the downsizing in advertising.

GF has reinstituted a heavy schedule of Maxwell House advertising, abandoning its "Coffee Made Our Way" campaign and reviving its "Good to the Last Drop" theme first begun when Theodore Roosevelt was U.S. President. The company also is emphasizing its brick-pack coffee as the market's freshest with new ads that bowed this summer via O&M.

The 13-ounce changeover has not reversed the slide in ground coffee sales, however. SAMI/Burke reports show that four-week dollar volume of regular coffee for the period ended July 15, 1988, was $185 million, down slightly from $187.4 million for the same period a year ago. June sales were $200.4 million in 1988 from $204 million in 1987. In May, the first

(Continued on Page S-4)

DATA BANK

GF filters to the top, but P&G perks up

Share of market, case shipments

Company	1987	1986
1. General Foods	34.6%	35.9%
2. Procter & Gamble	31.4	28.2
3. Nestle (Hills Bros.)	11.3	11.1
4. Chock Full O' Nuts	5.2	4.6
5. Coca-Cola Foods	1.9	1.9
Other	15.6	18.3

Coffee sales in a grind

Total coffee market sales ($000,000)

1987 $4.15 1986 $4.95 1985 4.19

Source: SAMI/Burke

A fuller platter

(Continued from Page S-2)
nurser water went into test last month in Fort Wayne, Ind.

Gerber also hopes to capture additional sales by extending its product lines into areas such as reusable decorator bottles and microwaveable feeding dishs.

Gerber Products division, which markets baby food and infant-related merchandise, accounted for 55.7% of the company's total sales of $942.6 million in fiscal year 1988, ending in June, up 14% from the same period in 1987.

Beech-Nut sought to encourage brand loyalty with parents by introducing its Stages line of baby foods in 1984. The brand is pitched as "foods designed to change with the baby's growing needs." This year Beech-Nut added prunes and yellow wax beans to its Stages One line of fruits and vegetables.

Industry observers see Beech-Nut's April launch in test markets of Baby's First single-ingredient, single-serving fruit and vegetable products as an attempt to enter the Gerber-dominated first infant food category. Baby's First is positioned as having a smoother texture for good digestibility, while Stages One is positioned for older babies' tastes.

Heinz last month launched its version of single-ingredient, single-serving transitional baby foods. The manufacturer is positioning its Beginner Foods line as a natural introduction to solid foods, providing the baby with a bridge between cereal and traditional strained foods.

Beech-Nut also entered the cereal category this year with its rice and oatmeal based Fruit Cereals, available in three added fruit varieties. The company notes the cereal is the only line in the baby cereal category without sugar; the company claims to have taken 10% to 12% of the segment. In 1987, Beech-Nut also launched a four-flavor line of 32-ounce fruit juices.

Unlike Gerber, Heinz launched new products rather than expand its existing categories. The Baby Food division reintroduced Heinz Strained Yogurts into the market, after an unsuccessful attempt several years ago, and plans to add additional flavors to its line of five varieties this year.

Beth Adams, Heinz's manager-public communications, says baby yogurt has become a fast-growing category for the manufacturer.

The company's mainstay remains its 40-product line of dried, instant baby food, which the marketer positions as an alternative to the strained, jarred variety.

According to a study last year by New York-based Packaged Facts Research, baby food sales are predicted to increase an average of about 3% to 4% by 1991.

Overall sales for the baby-food market are expected to reach $3.2 billion by 1991, representing a 6% annual rate of growth for the category. The growth is attributed to a higher number of first-time parents who are placing a greater emphasis on quality.

Because of an increasing number of working mothers, the infant formula product category is expected to rise sharply 8% to 9% over the next few years.

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Our lineup may take some people by surprise.
Because it's packed with snappy family-fare seen nowhere else.
Take the world premiere of Rin Tin Tin K-9 Cop. This co-production with CBS International joins a growing list of gripping originals.
Shows like The Campbells and Crossbow, both return with all-new adventures.
And Bordertown, our newest production, will debut in January.
So who is basic cable's family entertainer?
The answer should jump right out at you.

'Fast roast'

(Continued from Page S-2)
month of GF's 13-ounce introduction, sales were down even more, to $207.7 million in 1988 from $212.3 million in 1987.

No major coffee marketer seems to be fighting the 13-ounce trend. Nestle Foods has been testing a 13-ounce ground coffee under its Taster's Choice label since September 1987; Della Femina McNamee WCRS handles.

And although some northern New Jersey supermarkets were carrying Chock Full o' Nuts 16-ounce can with a special label reading, "Still one full pound," sources say New York-based Chock's strategy is only temporary and designed to sell existing 1-pound inventory. The company could not be reached at presstime for comment.

In late summer, P&G took downsizing a step further, converting its established Folgers Special Roast Flakes high-yield coffee to fast roast. Now in 66% of the country, excluding the Eastern seaboard, the new Special Roast Flakes container holds 11.5 ounces, but produces 12 more cups of coffee than the now discontinued Folger's 1-pound coffee, says company spokeswoman Belinda Baxter-Welch.

Observers expect Maxwell House to follow suit and convert its Master Blend high-yield line, now packaged in 11.5-ounce cans, to fast roast. With its flagship Maxwell House line producing the same number of cups as 16 ounce, the high-yield Master Blend "has no reason for being," says a source. GF had no comment.

But even with the margin cushion of 13-ounce coffee, insiders say marketers are in for a tough 1988.

Coffee prices are increasingly uncertain; 1989 green coffee bean quotas are due to be set this month.

If levels cannot be agreed upon, current quotas will be suspended, says Mr. Boecklin. That will cause coffee prices "to come crashing down," says another source, resulting in a "free-for-all."

Laurie Freeman in Washington contributed to this story.

CATEGORY REVIEW: Yogurt

Yogurt breaks out of chilled section

Versatile U.S. staple moves into wide-ranging areas

With refrigerated yogurt now assimilated into American culture, marketers are moving to bridge that success across category boundaries.

But while refrigerated yogurt sales have tripled in the last five years, marketers including Dannon Co., General Mills and Del Monte Corp. have only started to make headway in frozen novelties, desserts, lunch snacks and beverages.

Howard Waxman, editor, Find/SVP's *Ice Cream Reporter*, estimates that supermarket sales still account for only $35 million to $50 million, or about 5%, of total frozen yogurt sales. SAMI/Burke placed 1987 frozen yogurt sales at $26.4 million—small, but up 185%.

Piggybacking on the success of frozen-yogurt chains, supermarket sales should take off as national marketers broaden their offerings.

Danny-on-a-Stick, Dannon's initial experiment with frozen yogurt in the 1970s was a flop; only this year did the company revive the product with frozen yogurt bars, which rolled national this spring.

Through its Vroman division, General Mills has extended the Yoplait name to soft-frozen yogurt: first in 1987, in single-serve packages, and then this spring in pint containers. Castle & Cooke also launched a Dole Fruit & Yogurt bar this year.

Miscellaneous yogurt products, characterized as yogurt drinks and shakes such as Dannon's Dan-up, is another small but growing category; 1987 sales rose 272%, to $10.6 million.

Del Monte wants to develop yogurt's image as a snack. After introducing yogurt-covered fruit snacks last year and testing but rejecting a refrigerated yogurt in the early 1980s, the General Foods unit this summer rolled out a shelf-stable Yogurt Cup, adding to its line of fruit and pudding cups.

Yogurt Cup technically competes with all portable snacks, from salty snacks to "Ding Dongs," says Clyde Noel, marketing manager. Yogurt Cup is Del Monte's first yogurt, although the company tested a chilled yogurt a few years ago.

Yogurt Cup is specially formulated to meet kids' tastes with a smoother taste and in a smaller size than regular yogurts. Spot TV and free standing inserts, themed "Now yogurt is kids' stuff," support via agency McCann-Erickson, San Francisco.

Market leader Dannon has been working on changing yogurt's positioning from a "health food" to a good-tasting healthy snack, says a spokeswoman.

Dannon ads are designed to be "myth-shattering," says the spokeswoman. In print, Dannon features non-traditional yogurt eaters such as male teens and male construction workers. The campaign pits Dannon against fast food—tortilla chips and double cheeseburgers—with tag lines such as, "The fastest growing fast food isn't a double cheeseburger"; HDM, New York, handles.

The refrigerated yogurt category continues to outpace virtually all other supermarket categories in the dairy section; sales have nearly tripled—up 188%—in the past five years. In 1987, sales totaled $1 billion, up 18.2% from 1986, according to SAMI/Burke.

According to a 1986 Find/SVP report, 45 brands of cup yogurt are on the market, with more than 30 producers each registering $1 million in sales. "Few products have demonstrated the kind of sales growth and increase in consumer acceptance that yogurt has over the last 10 years," the report concludes.

The four national competitors are Dannon, Yoplait, Kraft Dairy Group's Light n' Lively and Breyers, and Kellogg Co.'s Whitney's.

H.J. Heinz Co., which markets a low-fat yogurt under the Weight Watchers name, says low-calorie, non-fat yogurts, at $221 million in sales, now account for 17% of category sales. With NutraSweet now approved for use in refrigerated yogurts, marketers are rushing products to stores; Kroger Co. in July introduced Kroger Lite, the first NutraSweet yogurt, and Kraft is readying a Light n' Lively version for test market.

French-style yogurts now account for more than 65% of branded, pre-stirred yogurts.

To capitalize on this growth, Heinz in July introduced A La Francais, a creamy, 150-calorie per serving yogurt in nine flavors.

The line is available in 85% of the U.S., excluding the Northeast.

Phil Lempert, president, Lempert Group, an advertising agency handling Tuscan yogurt, says "non-fat yogurts are growing by leaps and bounds." This will create new opportunities for new yogurt products, he says, including yogurt puddings and yogurt desserts such as yogurt cheesecakes.

—Judann Dagnoli and Julie Liesse Erickson

DATABANK

Very active cultures

Yogurt sales by category

Total yogurt
$1,049.9 million (up 20.8%)

Refrigerated
$1,012.9 million (up 18.2%)

Frozen
$26.4 million (up 185%)

Misc. products
$10.6 million (up 272%)

Top 5 refrigerated yogurt brands

Dannon
Yoplait (General Mills)
Light n' Lively (Kraft)
Breyers (Kraft)
Weight Watchers (H.J. Heinz Co.)

Top 3 frozen yogurt brands

(Accounting for more than 80%)

Yoplait
Sealtest (Kraft)
Knudsen (Kraft)

Source: SAMI/Burke figures for 52 weeks ended Jan. 1, 1988

CATEGORY REVIEW: Granola

Early-decade hit gives way to fruit snacks

By Julie Liesse Erickson

Granola snacks are growing stale on the shelves.

A star performer in the early 1980s, granola snacks—including not only granola bars but other grain-based bars—have experienced a 32% drop in dollar sales since 1985, when sales peaked at $439 million. Last year, sales fell 17% to $300 million, according to SAMI/Burke.

Granola snacks have suffered from two problems, analysts say. In their eagerness to expand the products' appeal, marketers added pudding flavors, chocolate chips and coverings, sacrificing granola's health-food image. Simultaneously, those marketers found themselves competing with new healthy and portable snacks—often from their own R&D departments.

For instance, while granola snack sales have declined 32% in the past two years, sales of fruit snacks have exploded, passing up granola last year when total sales rose 15% to hit $313 million. General Mills competes in both markets, with Nature Valley granola bars and Fruit Corners/Betty Crocker fruit and pudding snacks.

> ***Describing the explosion in new snack products on the shelves, "There's only so much Mom can put in a lunchbox."***
>
> **Linnea Johnson**
> **Thomas J. Lipton Inc.**

Shelf-stable puddings, yogurt and fruit compete for the kids' market, while a rapidly growing grain cake market attracts adults.

"There's only so much Mom can put in a lunchbox," says Linnea Johnson, product manager for Thomas J. Lipton Inc.'s Fun Fruits line.

Quaker Oats Co. still retains about a 45% share of granola snack sales and is dedicated to sticking with its lineup. Quaker believes the market is "rationalizing" after a glut of new competitors and will plateau at a comfortable—and profitable—level.

Trying to piggyback on fruit snacks' success, Quaker in September introduced strawberry and apple flavors of its Chewy Granola Bars, which lead the market with a 25% share. Granola Dipps, Quaker's chocolate-covered bar, are second with about a 20% share.

But Quaker has focused more on its grain cakes line as a growth vehicle. It markets corn, rice, rye and wheat cakes under both the Quaker and its Mothers health-food labels.

Likewise, despite some renewed vitality for its Nature Valley granola bars—which saw unit sales up 14% on the strength of heavy trade promotions—General Mills has refocused its new product and marketing attention on its line of fruit snacks. This fall it moves into fruit shapes with the introduction of Berry Bears and Shark Bites fruit snacks, under the Fruit Corners nameplate. A $7 million marketing effort supports, including TV spots from Saatchi & Saatchi DFS Compton, New York.

General Mills already has stumbled in the fruit snacks market; analysts say Pudding Roll-Ups and Fruit Swirl Bars, introduced in 1987, both have damaged consumers' perception of fruit snacks as a healthy alternative to candy.

Lipton seems determined to avoid the problems experienced by granola bars. Its concentration on the bite-size fruit snack segment of the overall wholesome snack market has paid off. Unlike General Mills, Lipton never introduced a granola bar and further narrowed its sights by discontinuing all but one of its fruit roll products in favor of bite-size products.

As a result, Lipton more than doubled its share of the fruit snacks category to an estimated 54% from 20% in 1986. Meanwhile, General Mills, which tried a number of new roll products, watched its share slide to 40%.

Despite fruit snacks' potential to replace granola snacks as the healthy snack of the late 1980s, however, marketers must watch their step.

Del Monte Corp. already offers yogurt-covered, bite-size fruits that some industry analysts believe may lead fruit snacks down the same self-destructive path granola snacks covered.

A backward glance at the litter of discarded or struggling brands—from trail bars to bite-size granola snacks to breakfast bars—begs the question: Are these snacks doomed to the short-lived life of a fad?

DATABANK

Crunch time for granola, while fruit rolls on

Snack sales ($000,000)

	Granola	Dried fruit
1987	$298	$587
1986	359	508
1985	439	418
1984	424	326
1983	350	250

Source: SAMI/Burke

consumers decide where and what they're going to eat," he says. "Today, supermarkets compete with restaurants and other retailers."

How drought-related food price hikes will affect the shift toward imagery is unclear. With 1989 food prices expected to be 6% higher than this year's it seems a move toward softer image advertising would help lessen consumer sticker shock.

But few supermarket executives expect the weather to affect ad plans. "The drought affects us all equally," says one retailer.

"Of course, if the price of bread gets really outrageous, we'll probably all find something else to talk about. But if a loaf of bread costs 10¢ more at XYZ store and I'm selling it for only 8¢ more, I'm going to advertise my better price."

Cash register kings

Top supermarket companies, supermarket sales ($000,000,000)

1. Safeway Stores	$18.3
2. Kroger Co.	17.7
3. American Stores	14.3
4. Winn-Dixie Stores*	8.8
5. A&P	7.8
6. Albertson's	5.9
7. Supermarkets General*	5.1
8. Publix Super Markets*	4.2
9. Von's Cos.	3.2
10. Grand Union*	2.8

*Estimate
Source: Prudential Bache Securities

Promotions

(Continued from Page S-1)

scale convenience foods that consumers seek.

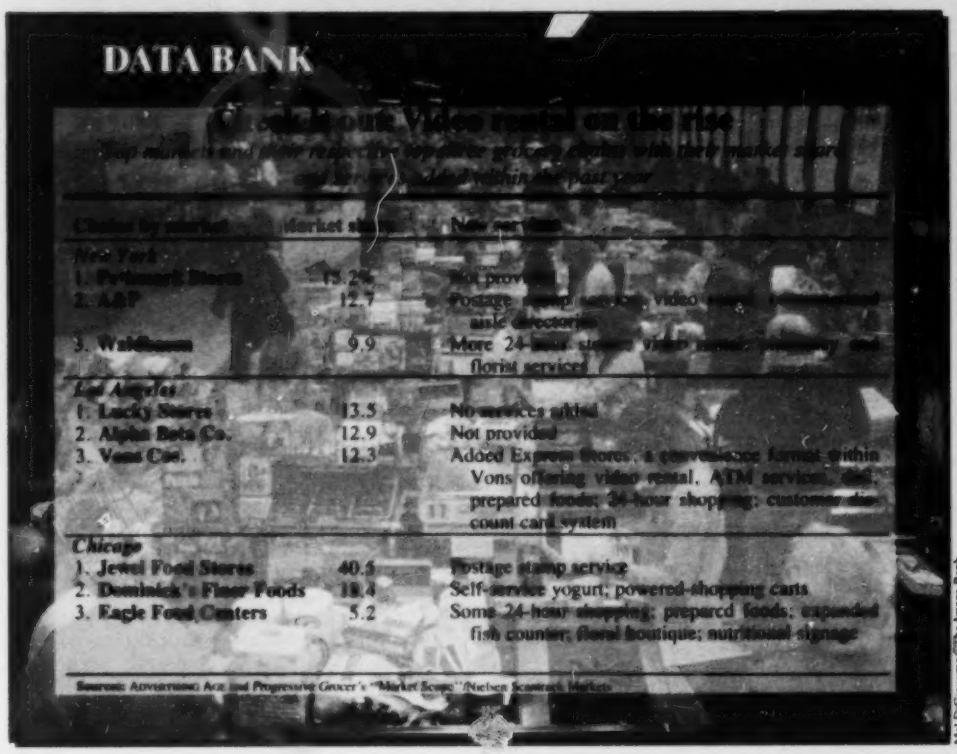
"The chain stores increase their profit margin by moving into radios and Sony TVs," he says. "We do it with raspberry vinegar at $15 a bottle and extra virgin olive oil at $20."

West Point Market does not emphasize price because it is in a saturated market, Mr. Vernon says. "We can't compete in the newspapers on price. We haven't built our business on price. We look for quality first."

Supermarket industry executives say the gourmet foods market is growing, but BMW owners aren't the only ones looking for fresh Norwegian salmon and imported Havarti cheese. Now ads targeting main-line consumers reflect tonier tastes.

"It may have started with the upscale or yuppie market, but now there's a broad spectrum of customers interested in new foods, in a wide variety of produce and fresh seafood, and in nutrition," says Michael Rourke, VP-community and corporate affairs at A&P Supermarkets.

"Where we once carried 110 produce items, we now carry 300. We once offered 30 to 40 different kinds of cheese in a store, now we have 170 kinds from all over the world," he says.


DATA BANK
Carry-out: Video rental on the rise
Top markets and their respective supermarket grocery chains with lists of market share, ranked by sales, added within the past year
Ranked by market
Market share
New services added
New York
1. Pathmark Stores
15.2%
2. A&P
12.7
Postage stamp service; video rental; computerized aisle directories
3. Waldbaum
9.9
More 24-hour stores; video rental; pharmacy and florist services
Los Angeles
1. Lucky Stores
13.5
No services added
2. Alpha Beta Co.
12.9
Not provided
3. Vons Cos.
12.3
Added Express Stores, a convenience format within Vons offering video rental, ATM services, deli, prepared foods; 24-hour shopping; customer discount card system
Chicago
1. Jewel Food Stores
40.5
Postage stamp service
2. Dominick's Finer Foods
18.4
Self-service yogurt; powered-shopping carts
3. Eagle Food Centers
5.2
Some 24-hour shopping; prepared foods; expanded fish counter; floral boutique; nutritional signage
Sources: Advertising Age and Progressive Grocer's "Market Scope" (Nielsen Scantrack Markets)
Mel DiGiacomo/The Image Bank

says.

To reach consumers interested in quality perishables and personal service, A&P combines image and price advertising for its mid-Atlantic Superfresh subsidiary. Image spots boasting the chain's "proud new feeling" run on TV, supported by printed price-item ads and inserts.

"We use TV to reach new customers, to let them know that Superfresh puts a great deal of emphasis on service. The ads convey the idea that this is a friendly store with a better atmosphere," says Mr. Rourke.

Superfresh uses print to speak primarily to its current customer base, he says. "Not everybody reads supermarket ads, and those that do tend to read ads from the supermarket where they primarily shop and maybe one other."

Superfresh's print ads address the competition on price, although Ad Director Albert Adelman says the company tries to make those ads stand

(Continued on Page S-18)

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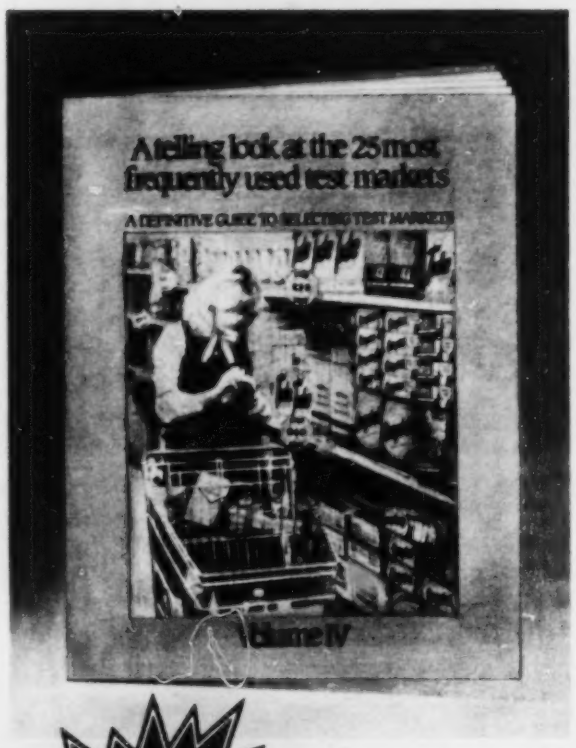

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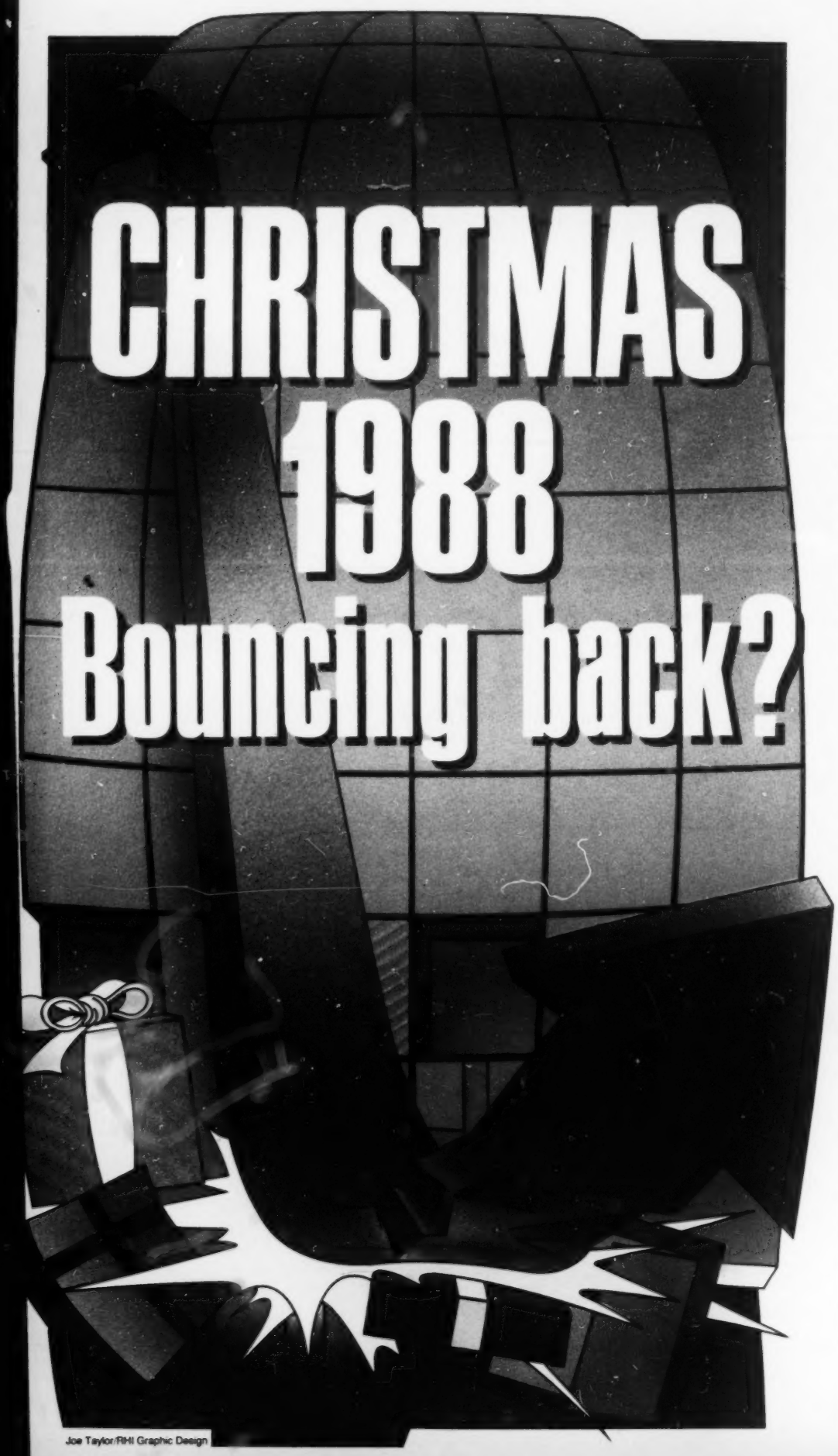

Joe Taylor/RHI Graphic Design

Retailers learn from bitter 1987

An Advertising Age roundup

Just one year ago, the stock market plunge was threatening to drag down the holiday selling season. Survey after survey showed that consumers were nervously clutching their pocketbooks and shopping conservatively.

For most retailers, that crucial sales period was a crapshoot.

But looking toward this Christmas, those same retailers' spirits are on the rebound. While surveys show that consumers still aren't in a strong buying mood, retailers are ready for whatever fickle shoppers decide to throw at them.

Since last year's troubles, retailers have cut costs, trimmed bloated inventories and ordered from suppliers more cautiously in a drive to junk the bad habit of overloading on merchandise and then selling it in unplanned deep discounts late in the season.

"Stores have taken measures to protect themselves," said Kurt Barnard, retail consultant and publisher of *Retail Marketing Report*. "They are buying merchandise from their suppliers on a hand-to-mouth basis, and they have bought only what they believe they can sell."

"Last year retailers were loaded down with inventory; this year they'll be lean. They're going to make a lot more money."

The true test of this holiday season will be how much —or how little—it takes before retailers hit the panic button and start heavily discounting.

Optimists say stores will stay firm and abide by their existing sales schedules. "You'll see a lot of planned markdowns as opposed to unplanned markdowns at the end of the season," said William Flatley, principal, Kurt Salmon Associates, a retail consultancy.

But pessimists believe that competition is so fierce, and price-cutting habits so deeply ingrained, that significant promotional activity is inevitable.

"Any retailer that is not promotional will be left standing at the gate," said John Landschultz, retail analyst at Mesirow & Co.

The difference this year, he predicted, will lie in re-

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Premier ads draw political fire—P. 3
Alan Bond eyes U.S. media—P. 26
Martin Sorrell hot on Far East—P. 58
Dukakis spots strike out—P. 76